

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

March 24, 2003

The Capital Projects and Bond Oversight Committee met on Monday, March 24, 2003, at 10:30 AM, in Room 129 of the Capitol Annex. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jodie Haydon, Chair; Senator Robert Leeper, Vice Chair; Representatives Robert Damron, Paul Marcotte, and Jim Wayne.

Guests testifying before the committee: Dall Clark, University of Kentucky; Cicely Lambert and Garlan Vanhook, Administrative Office of the Courts; Louis Warrix, Breathitt County; Bill Hintze, Governor's Office for Policy and Management; Armond Russ, Finance and Administration Cabinet; Sandy Williams, Kentucky Infrastructure Authority; and George Burgess and Tom Howard, Office of Financial Management.

LRC Staff: Mary Lynn Collins, Pat Ingram, Nancy Osborne, Kevin Mason, Bart Hardin, and Shawn Bowen.

Representative Marcotte made a motion to approve the minutes of the February 20, 2003 meeting as submitted. The motion was seconded by Senator Leeper and passed by voice vote.

Chairman Haydon called on Mary Lynn Collins, Committee Staff Administrator, to review correspondence and information items included in members' folders. Ms. Collins said the only item of correspondence was the Kentucky Lottery Corporation's monthly report for January 2003. She called to members' attention an information item: a copy of the veto message from the Governor on a provision in House Bill 269 (Executive Budget) that relates to the Emergency Repair, Maintenance and Replacement Account. She explained that the Governor vetoed the transfer of \$5,500,000 from the Emergency Account to the General Fund in fiscal year 2002–2003. The veto message noted the transfer would leave only \$3.7 million in the account, and the Finance Cabinet and the Governor's Office for Policy and Management (GOPM) had identified approximately \$3.2 million in projects that already needed emergency funding.

Ms. Collins said also enclosed in members' folders was a summary of proposed legislation relating to the committee's jurisdiction. She said House Bill 296, which was sponsored by committee members Representatives Wayne and Marcotte, was passed and signed by the Governor. (Senate Bill 106, sponsored by Senator Buford, another committee member) was a companion to House Bill 296). House Bill 296 establishes procedures to be used by agencies when they use alternative project delivery systems.

Representative Wayne said the committee owes a debt of gratitude to Representative Marcotte and Senators Leeper and Buford for their work on House Bill 296. He also thanked Mary Lynn Collins and Nancy Osborne for their assistance.

Representative Wayne asked Mr. Bill Hintze, Deputy State Budget Director, to comment on the Governor's veto of the budget provision relating to the Emergency Account transfer.

Mr. Hintze said this issue was discussed at the committee's February meeting in which he and Commissioner Russ expressed concern about the level of reduction in the Emergency Account proposed in the budget at that time. He reiterated the list of projects the Administration already knows will need Emergency Funds and noted the likelihood of additional unforeseen emergencies. He said they felt it was better to have sufficient emergency funds available and authorized in the statutory account now, rather than risk deferring genuine emergency needs.

In response to a question from Representative Wayne, Mr. Hintze said they are hopeful this veto will be sustained.

Representative Wayne asked if any programs will suffer if the veto is sustained and the Emergency Account funds are not transferred to the General Fund. Mr. Hintze said the funds were not earmarked and the immediate consequence would be to reduce the amount of funds that would be carried forward into the next year.

Mr. Dall Clark, Director, Capital Project Management, University of Kentucky, reported three projects for the university. He first reported a new lease the university has entered into with Capstone Properties. Mr. Clark said UK continues to experience a very high admission rate from freshmen. He said due to the increased demand for housing, they have leased 84 four-bedroom apartments and 24 two-bedroom apartments at a cost of \$1,546,560 for a nine-month period. Mr. Clark said the university already leases 72 four-bedroom apartments from Capstone Properties.

Representative Damron made a motion to approve the new lease. The motion was seconded by Representative Marcotte and passed by voice vote.

Mr. Clark next reported an unbudgeted project to renovate the UK Pediatrics/Oncology Clinic. The renovations will include an on-site pharmacy, a handicap accessible bathroom, an additional staff bathroom, a central storage area, larger rooms for clinical treatment, infusion, private consultation, staff, and reception areas. The project scope is \$850,000 and will be funded by private donations. He said over 400 individuals and corporations have contributed and the university has received in excess of \$700,000 towards the project.

Representative Damron made a motion to approve the Pediatrics/Oncology Clinic Renovation project. The motion was seconded by Representative Wayne and passed by voice vote.

The final project Mr. Clark reported was a \$550,000 unbudgeted project to renovate the UK Urology Clinic. The current clinic is located on the first floor of the Kentucky Clinic. The renovation project will relocate the clinic to the second floor with its own entrance, which will allow the Urology Clinic to function as an independent clinic. The project will be funded with \$500,000 from the Kentucky Medical Services Foundation, an unaffiliated corporation, and \$50,000 from a private donor. All funds are in hand.

Representative Marcotte made a motion to approve the Urology Clinic Renovation project. The motion was seconded by Representative Damron and passed by voice vote.

Next, Ms. Cicely Lambert, Director, Administrative Office of the Courts (AOC), and Mr. Garlan Vanhook, AOC General Manager for Facilities, reported AOC's Court Facilities Standards Committee has approved an \$80,820 increase in the Breathitt County Courthouse project's authorized annual use allowance. The Court Facility Use Allowance Contingency Fund is to be used to fund the cost overrun. Ms. Lambert then introduced Representative Ted Edmonds, Breathitt County Judge Executive Louis Warrix, Circuit Court Clerk Tommy Howard, and Julie Peterson, the financial agent from Ross, Sinclaire and Associates.

Ms. Lambert said the Breathitt County Justice Center was included in the 2002–2008 Judicial Branch Capital Plan. This project was authorized by the 2000 General Assembly at a scope of \$6,745,000 and a use allowance of \$538,800. Initially, the project was designed as a free-standing facility. Later, however, the Fiscal Court of Breathitt County proposed to build a jail adjacent to the court facility. Consequently, the project was redesigned and a vehicle sallyport and

holding cells in the court facility were deleted since they would not be needed as the court facility was to be connected to the jail. In November 2002, separate bids were received for the Justice Center and the jail.

Ms. Lambert said in December 2002, the Court Facilities Standards Committee approved an increase in the project cost to \$7,140,000 to cover costs associated with site acquisition, which was not part of the original authorization. This increase in scope did not affect the authorized use allowance because of favorable interest rates at the time.

In February 2003, the Breathitt County Fiscal Court voted to terminate the jail project. This required modifications to the design of the judicial center. Since the jail will no longer be adjacent to the court facility, the vehicle sallyport and the holding cells had to be added back to the project. The revisions increased the project by \$895,000. Ms. Lambert said the Court Facilities Standards Committee met on March 6 and contingent upon approval by this committee, authorized using the Court Facility Use Allowance Contingency Fund to allow for up to a 15% (\$82,820) increase in the annual use allowance. She said if the committee approves the increase, this will reduce the contingency fund to \$452,180.

Ms. Lambert said this project is one of 15 projects to come under the new rules and procedures passed by the 2000 General Assembly (House Bill 734). It is the first of that group with a cost overrun requiring action by the committee. She said the reason for having to use the contingency fund for this project is because the fiscal court, through a change in leadership, canceled the jail.

Representative Wayne asked if Breathitt County was requested to absorb any of the increase in costs. Mr. Vanhook said they had presented to the fiscal court the additional costs incurred for the court project because of the deletion of the jail. However, the fiscal court indicated they could not absorb that cost. After review, AOC decided to step forward to keep the building on track. Mr. Warrix added that the fiscal court's decision to build a new detention center was based on the assumption the jail would be used to house state prisoners. When state policy reduced county management of state prisoners, Breathitt County determined the new jail project was not feasible.

Representative Wayne said there appeared to be a need for better coordination between the Court Facilities Standards Committee and the local governments. Mr. Vanhook said at the time, these two projects were a great model for state-local cooperation. However, when the projected revenue for the jail vanished, it became a bad idea. He assured the committee that AOC tried to be as prudent as well as cooperative as they could be. AOC insisted the two projects be

bid as separate projects. Consequently, they were able to identify all costs associated with the jail, of which AOC has no obligations.

Representative Marcotte asked if the scope increase will be reflected in a higher use allowance. Ms. Lambert said that it would.

Representative Damron reminded members that before House Bill 734 passed, there was little coordination between the architects and local officials and AOC. He said House Bill 734 makes AOC's management role clear, and that has had a big impact on the court facilities program.

Representative Damron asked about the status of the Court Facility Contingency Fund, and whether that fund would be sufficient to address other needs that may arise during the remainder of the biennium. Ms. Lambert said she believe the Contingency Fund will be sufficient to cover all cost overruns.

Representative Wayne made a motion to approve the revised maximum use allowance for the Breathitt County Court project. The motion was seconded by Senator Leeper and passed by voice vote. Representative Damron abstained from the vote citing a conflict of interest under Section 57 of the Constitution. The revised maximum use allowance is \$619,620.

Chairman Haydon said he appreciated AOC's work, particularly the new Nelson County Courthouse. Representative Marcotte thanked AOC for the work they did on the new Boone County Justice Center.

Chairman Haydon asked Mr. Hintze and Armond Russ, Commissioner of the Department for Facilities Management, to present the monthly Finance and Administration Cabinet project report.

Mr. Hintze first reported a \$1.2 million privately-funded scope increase for the Northern Kentucky University (NKU) Natural Science Building/Planetarium which was completed last year. The project was authorized for design (\$1,500,000) by the 1996 General Assembly. The 1998 General Assembly appropriated \$36,500,000 in bond funds for construction of the facility. During design, NKU determined the budget could not accommodate a planned planetarium and associated equipment. However, the building was designed to allow for future installation of a planetarium. The scope increase will be used to now complete the planetarium. Mr. Hintze indicated that the Finance Cabinet has authorized NKU to proceed with design work. Once NKU has certified that all private funding needed has been received, the Cabinet will authorize completion of the project. He added that the Cabinet would at that time bring the project back to the committee for its review. Currently, NKU has secured \$500,000 towards the

project scope. The revised project scope for the NKU Natural Science Building/Planetarium project is \$39,200,000.

Next, Mr. Hintze reported that the Cabinet for Workforce Development plans to purchase a computer server, including four years of maintenance, at a cost of \$1,250,000. This server will replace thirteen existing servers and it will prevent the Cabinet from having to incur additional costs for upgrades next year. The server will be paid for with federal funds.

Mr. Hintze reported that the Department of Military Affairs plans to initiate a \$2,390,600 unbudgeted project at the Wendell H. Ford Regional Training Center in Muhlenberg County. The project includes design and construction of an Engineer Fire Team Center. The project scope is 100% federally funded.

Representative Wayne suggested at some point the committee needed to look at the Wendell H. Ford Regional Training Center, see what it is doing, and what the long-range plan is. Representative Damron said some of the training that took place for the Baghdad campaign was conducted at this center. He said the location and the enhancement of the center here is a good economic development tool for the state. He said this would make the base impractical to close in the future, and assures federal money will continue to flow into the Center.

Chairman Haydon added that the committee has been invited to Greenville to meet at the Regional Training Center and hopefully that will happen the early part of this summer.

Representative Damron made a motion to approve the three Finance projects. The motion was seconded by Representative Marcotte and passed by voice vote.

Lastly, Mr. Hintze reported that the Finance and Administration Cabinet is transferring \$400,000 from the Department of Agriculture's operating budget to the PACE program (Purchase of Agricultural Conservation Easements), administered by the Department of Agriculture. Chairman Haydon said no further action is required for this project.

Chairman Haydon said the next agenda item was the bond activity report from the Office of Financial Management. He asked Ms. Sandy Williams, Kentucky Infrastructure Authority (KIA), to report new items proposed for KIA assistance. Ms. Williams presented thirteen 2020 Account/Fund B Grants which have met KIA conditions and assistance agreements are ready for execution: City of Kevil – Bandana Water District merger; West Carroll Water District – Waterline extension; City of Marion – Waterline improvement; Edmonson Co.

Water District – Update telemetry and pump controls; Edmonson County – Waterline extension; Edmonson County – Waterline extension; North Shelby Water District – Waterline extension; City of Williamstown – Waterline extension; Hardin County Water District #2 – Waterline extension, tank, pump station, and interconnects; US 60 Water District – Waterline extension, Shelby County; US 60 Water District – Waterline extension in Spencer County; City of Corbin – Incline Road waterline extension; and City of Hodgenville – Shepardsville Road waterline extension. The committee conditionally approved these projects in January, and no further action was required.

Chairman Haydon called on Mr. George Burgess, the Executive Director of the Office of Financial Management, and Mr. Tom Howard, Deputy Executive Director, Office of Financial Management, to discuss the agency's bond issue report. Mr. Howard then presented four new bond issues: Kentucky Housing Corporation Housing Revenue Bonds, 2003 Series C, D and E, not to exceed \$86,175,000; Kentucky Higher Education Student Loan Corporation Student Loan Revenue Bonds, 2003 Series A, B, A-1, and A-2, \$121,250,000; Morehead State University Housing and Dining System Refunding Revenue Bonds, Series Q, dated April 1, 2003, \$4,515,000; and University of Kentucky Consolidated Educational Buildings Refunding Revenue Bonds, Series K (third series), dated March 1, 2003, \$5,120,000.

Representative Damron made a motion to approve the four new bond issues. The motion was seconded by Representative Marcotte and approved by voice vote.

Mr. Howard then presented two follow-up reports for previously issued bonds for the University of Louisville: Housing System Refunding Revenue Bonds, Series E, dated February 1, 2003, in the amount of \$6,745,000; and Consolidated Educational Buildings Refunding Revenue Bonds, Series M, dated February 1, 2003, in the amount of \$88,765,000. The proceeds will be used to refund outstanding bonds. Chairman Haydon said these bond issues were approved by the committee at its February meeting and no further action is required.

Mr. Howard reported 16 new bond issues with School Facilities Construction Commission (SFCC) debt service participation: Allen County; Graves County; Hart County; Hickman County; Lawrence County; Madison County; Menifee County; Montgomery County; Murray Independent (Calloway Co.); Nelson County; Pike County; Pikeville Independent (Pike Co.); Russell County; Trigg County; Wayne County; and Woodford County.

Senator Leeper made a motion to approve the school bond issues. The motion was seconded by Representative Wayne and passed by voice vote. Representative Damron abstained from the vote, citing a potential conflict of interest.

Chairman Haydon said there were two locally-funded school bond issues submitted to the committee for review this month: Lee County and Todd County. He said all disclosure information has been filed, and no further action on the bond issues is required.

Chairman Haydon said the committee will hold its next meeting on April 15.

Representative Marcotte said at the committee's February meeting, an allocation of \$60,000 from the Capital Construction and Equipment Purchase Contingency Account was approved for the Big Bone Lick State Park New Visitors Center project, which was matched by \$127,000 from the Boone County Fiscal Court. He said this money enabled Boone County to sign a construction contract. He said he attended the groundbreaking ceremony for the project, and was very pleased with how the project was progressing.

With there being no further business, Representative Damron made a motion to adjourn the meeting. The meeting adjourned at 11:30 a.m.